

**REPORT OF THE AUDIT OF THE  
CLARK COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2002**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE CLARK COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2002**

The Auditor of Public Accounts has completed the Clark County Fiscal Court audit for fiscal year ended June 30, 2002. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

#### **Financial Condition:**

Fund balances decreased by \$653,389 from the beginning of the year, resulting in a cash surplus of \$3,925,524 as of June 30, 2002.

#### **Debt Obligations:**

Total bonded debt principal as of June 30, 2002, was \$2,955,000. Future collections of \$3,568,169 are needed over the next 14 years to pay all bonded debt principal and interest.

Capital lease principal agreements totaled \$2,509,000 as of June 30, 2002. Future principal and interest payments of \$3,658,768 are needed to meet these obligations.

#### **Deposits:**

The fiscal court's deposits were insured and collateralized by bank securities or bonds.



## CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT .....	1
CLARK COUNTY OFFICIALS .....	3
STATEMENT OF ASSETS, LIABILITIES, AND EQUITY ARISING FROM CASH TRANSACTIONS .....	6
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES.....	12
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES - PROPRIETARY FUND .....	17
STATEMENT OF CASH FLOWS - PROPRIETARY FUND.....	21
NOTES TO FINANCIAL STATEMENTS .....	22
SUPPORTING SCHEDULES:	
COMPARATIVE SCHEDULE OF BUDGETED TO ACTUAL OPERATING REVENUE .....	31
SCHEDULE OF OPERATING REVENUE.....	35
COMPARATIVE SCHEDULE OF FINAL BUDGET AND BUDGETED EXPENDITURES.....	39
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS .....	43
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	





**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Ernie Fletcher, Governor

Robbie Rudolph, Secretary

Finance and Administration Cabinet

Honorable John Myers, Clark County Judge/Executive

Honorable Drew Graham, Former Clark County Judge/Executive

Members of the Clark County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and equity arising from cash transactions of Clark County, Kentucky as of June 30, 2002, the statement of cash receipts, cash disbursements, and changes in cash balances, the statement of cash receipts, cash disbursements, and changes in cash balances - proprietary fund type, and the related statement of cash flows - proprietary fund type for the year then ended. These financial statements are the responsibility of the Clark County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Clark County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and equity arising primarily from cash transactions as of June 30, 2002, of Clark County, Kentucky, and the revenues received and expenditures paid and the cash flows of its enterprise fund for the year then ended, in conformity with the modified cash basis of accounting.



To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
Robbie Rudolph, Secretary  
Finance and Administration Cabinet  
Honorable John Myers, Clark County Judge/Executive  
Honorable Drew Graham, Former Clark County Judge/Executive  
Members of the Clark County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated November 4, 2003, on our consideration of Clark County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Clark County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
November 4, 2003



CLARK COUNTY OFFICIALS

For The Fiscal Year Ended June 30, 2002

**Fiscal Court Members:**

Drew Graham	County Judge/Executive
Clifton R. Smith	Magistrate
Gerald Rogers	Magistrate
Billy Thomas	Magistrate
Joe McCord	Magistrate
Gary Taylor	Magistrate
Richard Mink	Magistrate
John Henry Ramsey	Magistrate

**Other Elected Officials:**

Gardner Wagers	County Attorney
Bobby Stone	Jailer
Anita S. Jones	County Clerk
David Hunt	Circuit Court Clerk
Gary Lawson	Sheriff
Karen Bushart	Property Valuation Administrator
David Jacobs	Coroner

**Appointed Personnel:**

Jean Logsdon	County Treasurer
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STATEMENT OF ASSETS, LIABILITIES,  
AND EQUITY ARISING FROM CASH TRANSACTIONS

CLARK COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND EQUITY ARISING FROM CASH TRANSACTIONS

June 30, 2002

	<u>Governmental Fund Type</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>
<u>Assets and Other Resources</u>			
<u>Assets</u>			
Cash and Cash Equivalents	\$ 2,369,883	\$ 1,039,850	\$
Investments			368,686
Total Assets	<u>\$ 2,369,883</u>	<u>\$ 1,039,850</u>	<u>\$ 368,686</u>
<u>Other Resources</u>			
Amounts to Be Provided in Future Years for:			
Capital Lease Principal Payments	\$ 2,509,000	\$	\$
Bond Principal Payments			2,586,314
Total Other Resources	<u>\$ 2,509,000</u>	<u>\$ 0</u>	<u>\$ 2,586,314</u>
Total Assets and Other Resources	<u><u>\$ 4,878,883</u></u>	<u><u>\$ 1,039,850</u></u>	<u><u>\$ 2,955,000</u></u>

The accompanying notes are an integral part of the financial statements.

CLARK COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND EQUITY ARISING FROM CASH TRANSACTIONS  
June 30, 2002  
(Continued)

Proprietary Fund Type	Totals (Memorandum Only)
<u>Enterprise</u>	
\$ 160,375	\$ 3,570,108
	368,686
<u>\$ 160,375</u>	<u>\$ 3,938,794</u>
\$	\$ 2,509,000
	2,586,314
<u>\$ 0</u>	<u>\$ 5,095,314</u>
<u>\$ 160,375</u>	<u>\$ 9,034,108</u>

The accompanying notes are an integral part of the financial statements.

CLARK COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND EQUITY ARISING FROM CASH TRANSACTIONS  
June 30, 2002  
(Continued)

	<u>Governmental Fund Type</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>
<u>Liabilities and Equity</u>			
<u>Liabilities</u>			
Capital Leases (Note 5)	\$ 2,509,000	\$	\$
Bonds:			
Series 1997 (Note 4)			2,955,000
Total Liabilities	<u>\$ 2,509,000</u>	<u>\$ 0</u>	<u>\$ 2,955,000</u>
<u>Equity</u>			
Retained Earnings			
Fund Balances:	\$	\$	\$
Reserved		1,039,850	
Unreserved	2,369,883		
Total Equity	<u>\$ 2,369,883</u>	<u>\$ 1,039,850</u>	<u>\$ 0</u>
Total Liabilities and Equity	<u><u>\$ 4,878,883</u></u>	<u><u>\$ 1,039,850</u></u>	<u><u>\$ 2,955,000</u></u>

The accompanying notes are an integral part of the financial statements.

CLARK COUNTY  
 STATEMENT OF ASSETS, LIABILITIES,  
 AND EQUITY ARISING FROM CASH TRANSACTIONS  
 June 30, 2002  
 (Continued)

Proprietary Fund Type	Totals (Memorandum Only)
<u>Enterprise</u>	
\$	\$ 2,509,000
	<u>2,955,000</u>
\$ 0	\$ <u>5,464,000</u>
\$ 160,375	\$ 160,375
	1,039,850
	<u>2,369,883</u>
\$ 160,375	\$ <u>3,570,108</u>
\$ 160,375	\$ <u><u>9,034,108</u></u>

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

CLARK COUNTY  
STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

For The Fiscal Year Ended June 30, 2002

	General Fund Types			
	General Fund	Road and Bridge Fund	Jail Fund	Local Government Economic Assistance Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 4,246,532	\$ 895,569	\$ 883,624	\$ 77,952
Other Financing Sources:				
Transfers In	22,829			
Kentucky Advance Revenue Program	2,805,000			
Total Cash Receipts	<u>\$ 7,074,361</u>	<u>\$ 895,569</u>	<u>\$ 883,624</u>	<u>\$ 77,952</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 4,218,104	\$ 1,072,234	\$ 1,306,628	\$ 72,203
Other Financing Uses:				
Transfers Out	204,655		150,649	
Bonds:				
Principal Paid				
Interest Paid				
Capital Leases - Principal				
Kentucky Advance Revenue Program Repaid	2,805,000			
Total Cash Disbursements	<u>\$ 7,227,759</u>	<u>\$ 1,072,234</u>	<u>\$ 1,457,277</u>	<u>\$ 72,203</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (153,398)	\$ (176,665)	\$ (573,653)	\$ 5,749
Cash Balance - July 1, 2001*	<u>1,995,952</u>	<u>235,369</u>	<u>984,854</u>	<u>38,405</u>
Cash Balance - June 30, 2002*	<u>\$ 1,842,554</u>	<u>\$ 58,704</u>	<u>\$ 411,201</u>	<u>\$ 44,154</u>

\* Cash Balance Includes Investments

The accompanying notes are an integral part of the financial statements.

CLARK COUNTY  
STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES  
For The Fiscal Year Ended June 30, 2002  
(Continued)

Special Revenue Fund Types			
Water District Fund	Special Reserve- Rockwell Property Fund	State Grants Fund	Federal Grants Fund
\$ 226,048	\$ 32,695	\$ 909,190	\$ 21,531
\$ 226,048	\$ 32,695	\$ 909,190	\$ 21,531
\$ 126,048	\$ 54,002	\$ 645,594	\$ 21,531
100,000			
\$ 226,048	\$ 54,002	\$ 645,594	\$ 21,531
\$	\$ (21,307) 674,864	\$ 263,596 122,697	\$
\$ 0	\$ 653,557	\$ 386,293	\$ 0

The accompanying notes are an integral part of the financial statements.

CLARK COUNTY  
 STATEMENT OF CASH RECEIPTS,  
 CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES  
 For The Fiscal Year Ended June 30, 2002  
 (Continued)

	<u>Debt Service Fund Type</u>	
	<u>Public Properties Corporation Fund</u>	<u>Totals (Memorandum Only)</u>
<u>Cash Receipts</u>		
Schedule of Operating Revenue	\$ 8,680	\$ 7,301,821
Other Financing Sources:		
Transfers In	355,304	378,133
Kentucky Advance Revenue Program		2,805,000
Total Cash Receipts	<u>\$ 363,984</u>	<u>\$ 10,484,954</u>
<u>Cash Disbursements</u>		
Comparative Schedule of Final Budget and Budgeted Expenditures	\$	\$ 7,516,344
Other Financing Uses:		
Transfers Out	22,829	378,133
Bonds:		
Principal Paid	215,000	215,000
Interest Paid	149,975	149,975
Capital Leases - Principal		100,000
Kentucky Advance Revenue Program Repaid		2,805,000
Total Cash Disbursements	<u>\$ 387,804</u>	<u>\$ 11,164,452</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (23,820)	\$ (679,498)
Cash Balance - July 1, 2001*	<u>392,506</u>	<u>4,444,647</u>
Cash Balance - June 30, 2002*	<u><u>\$ 368,686</u></u>	<u><u>\$ 3,765,149</u></u>

\* Cash Balance Includes Investments

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES - PROPRIETARY FUND



CLARK COUNTY  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES - PROPRIETARY FUND

For The Fiscal Year Ended June 30, 2002

	<u>Enterprise Fund Type</u>
	<u>Jail Canteen Fund</u>
<u>Cash Receipts</u>	
Receipts - Jail Canteen	<u>\$ 198,137</u>
Total Cash Receipts	<u>\$ 198,137</u>
<u>Cash Disbursements</u>	
Expenditures - Jail Canteen	<u>\$ 172,028</u>
Total Cash Disbursements	<u>\$ 172,028</u>
Excess of Cash Receipts Over Cash Disbursements	26,109
Cash Balance - July 1, 2001	<u>134,266</u>
Cash Balance - June 30, 2002	<u><u>\$ 160,375</u></u>

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH FLOWS - PROPRIETARY FUND



CLARK COUNTY  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND

For The Fiscal Year Ended June 30, 2002

	Enterprise Fund Type
	<u>Jail Canteen Fund</u>
<u>Cash Flows From Operating Activities:</u>	
Cash Received From Inmates For	
Canteen Purchases	\$ 198,137
Payments to Suppliers	<u>172,028</u>
Net Cash Provided By Operating Activities	<u>\$ 26,109</u>
Net Increase in Cash And Cash Equivalents	\$ 26,109
Cash and Cash Equivalents - July 1, 2001	<u>134,266</u>
Cash and Cash Equivalents - June 30, 2002	<u><u>\$ 160,375</u></u>

The accompanying notes are an integral part of the financial statements.

CLARK COUNTY  
NOTES TO FINANCIAL STATEMENTS

June 30, 2002

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Clark County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Clark County Public Properties Corporation as part of the reporting entity.

The Clark County Public Properties Corporation is established for the purpose of providing long-term financing for approved projects. The Clark County Fiscal Court is financially accountable for the component unit; therefore, management must include the component unit as part of the reporting entity and its financial activity is blended with that of the Fiscal Court

Additional - Clark County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Clark County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Clark County Fiscal Court's fund types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Clark County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, and the Local Government Economic Assistance Fund.

CLARK COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The Clark County Special Revenue Fund Type includes the following county funds: The Water District Fund, Special Reserve - Rockwell Property Fund, State Grants Fund, and the Federal Grants Fund.

3) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and includes funds for the Clark County Public Properties Corporation Fund. Debt service is provided through annual transfers from the General Fund Type in the amount of the debt service requirements for the year.

4) Enterprise Fund Type

The Enterprise Fund Type is used to report an activity for which a fee is charged to external users for goods or services. The Clark County Enterprise Fund Type includes the Jail Canteen Fund, which is maintained by the county jailer.

The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund. Technical Audit Bulletin 93-002 provides additional accounting and expenditure guidance for acceptable jail canteen operations. All profit expenditures were for the benefit and/or recreation of the inmates.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Long-term receivables, long-term obligations and amounts to be provided in future years to retire debt are recorded in the financial statements. The amount to be provided in future years to retire debt is offset by any cash or cash equivalents held by the county in a bond or debt service fund.

CLARK COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting (Continued)

The State Local Finance Officer does not require the county to maintain a general fixed assets group of accounts; therefore the value of the county's fixed assets are not included in the financial statements. These fixed assets include buildings, equipment and land that are owned by the county.

D. Legal Compliance - Budget

The Clark County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the Public Properties Corporation Fund and the Jail Canteen Fund because bond indentures and other relevant contractual provisions require specific payments to and from these funds annually and transfers are budgeted in the General Fund Type to comply with these requirements. The Department for Local Government does not require these funds to be budgeted.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

CLARK COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002  
(Continued)

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.41 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.28 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits and Investments

A. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2002, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond.

B. Investments

The county's investments are categorized below to give an indication of the level of risk assumed by the county at year-end. Category 1 includes investments that are insured or registered or the securities are held by the county or by the county's agent in the county's name. Category 2 includes uninsured and unregistered investments where the securities are held by the financial institution in the county's name. Category 3 includes uninsured and unregistered investments where the securities were held by the financial institution, but not in the county's name.

Types of Investments	Category			Carrying Amount	Market Value
	1	2	3		
U.S. Treasury Obligations	\$ 368,686	\$ 0	\$ 0	\$ 368,686	\$ 368,686

CLARK COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002  
(Continued)

Note 4. Long-Term Debt

Refunding Revenue Bonds (Courthouse and Detention Facilities Projects)

On October 4, 1997, the Public Properties Corporation issued \$3,970,000 in First Mortgage Refunding Revenue Bonds for the purpose of refinancing the Court and Detention Facilities Projects prior bond issues. The bond proceeds are being held in escrow and will be used to make the principal and interest payments on the two prior bond issues. Principal payments are due each June 1, and interest payments are due each June 1, and December 1, with final maturity in fiscal year 2016. The amount of principal outstanding as of June 30, 2002, was \$2,955,000.

Bond Payment Schedule			
Fiscal Year Due	Interest Rate	Interest Due	Principal Due
2003	4.500%	\$ 140,300	\$ 220,000
2004	4.500%	130,400	235,000
2005	4.500%	119,825	245,000
2006	4.500%	108,800	255,000
2007	4.550%	97,325	270,000
2008-2012	4.5% - 5.1%	297,485	1,140,000
2013-2016	5.100%	87,720	590,000
Total		<u>\$ 981,855</u>	<u>\$ 2,955,000</u>

Note 5. Capital Lease Agreements

- A. On June 18, 1993, Clark County entered into a lease agreement with the Kentucky Association of Counties Leasing Trust for the expanded construction of rural waterlines. The amount of the lease was \$1,250,000 to be repaid in 300 monthly payments of varying amounts terminating February 1, 2018. The outstanding principal balance as of June 30, 2002, was \$976,000.

Lease Payment Schedule			
Fiscal Year Due	Interest Rate	Interest Due	Principal Due
2003	4.71%	\$ 45,185	\$ 40,000
2004	4.71%	43,261	42,000
2005	4.71%	41,244	44,000
2006	4.71%	39,132	46,000
2007	4.71%	36,907	49,000
2008-2012	4.71%	146,206	290,000
2013-2017	4.71%	68,480	377,000
2018	4.71%	2,418	88,000
Total		<u>\$ 422,833</u>	<u>\$ 976,000</u>



CLARK COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002  
(Continued)

Note 5. Capital Lease Agreements (Continued)

- B. On October 5, 1995, Clark County entered into a lease agreement with the Kentucky Association of Counties Leasing Trust for the expanded construction of rural waterlines. The amount of the lease was \$1,400,000 to be repaid in 300 monthly payments of varying amounts terminating February 1, 2019. The outstanding principal balance as of June 30, 2002, was \$1,171,000.

Lease Payment Schedule			
Fiscal Year Due	Interest Rate	Interest Due	Principal Due
2003	5.28%	\$ 60,839	\$ 45,000
2004	5.28%	58,397	48,000
2005	5.28%	55,818	50,000
2006	5.28%	53,134	52,000
2007	5.28%	50,323	55,000
2008-2012	5.28%	203,896	320,000
2013-2017	5.28%	108,843	407,000
2018-2019	5.28%	11,255	194,000
Total		<u>\$ 602,505</u>	<u>\$ 1,171,000</u>

- C. On May 7, 2001, Clark County entered into a lease agreement with the Kentucky Association of Counties Leasing Trust in order to refinance the lease agreement originally entered into on November 1, 1990, for the expanded construction of rural waterlines. The amount of the lease was \$382,000 to be repaid in 180 monthly payments of varying amounts terminating November 1, 2015. The outstanding principal balance as of June 30, 2002, was \$362,000.

Lease Payment Schedule			
Fiscal Year Due	Interest Rate	Interest Due	Principal Due
2003	4.45%	\$ 15,738	\$ 20,000
2004	4.45%	14,830	21,000
2005	4.45%	13,895	21,000
2006	4.45%	12,942	22,000
2007	4.45%	11,945	23,000
2008-2012	4.45%	43,202	130,000
2013-2016	4.45%	11,878	125,000
Total		<u>\$ 124,430</u>	<u>\$ 362,000</u>

CLARK COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002  
(Continued)

Note 5. Capital Lease Agreements (Continued)

Clark County entered into a sublease agreement with the East Clark Water District to use the waterlines. The sublease agreement requires the East Clark Water District to make all lease payments. The East Clark Water District is in substantial compliance with the terms of the sublease agreement.

Total lease principal outstanding, for the Water District, as of June 30, 2002, was \$2,509,000.

Note 6. Related Party Transaction

During the fiscal year ended June 30, 2002, Clark County Fiscal Court conducted business with Laymor Paving. Officers of Laymor Paving include Magistrate Gerald Rogers' brother and son. Payments of \$9,695 were made to Laymor Paving during the fiscal year. The Clark County Ethics Board reviewed this transaction and ruled that under the current ethics code no ethical violation had occurred.

Note 7. Insurance

For the fiscal year ended June 30, 2002, Clark County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 8. Solid Waste Landfill - Lease Agreement

On June 4, 1998, Clark County Fiscal Court (hereinafter "County") entered into a lease agreement with Winchester Municipal Utilities (hereinafter "WMU") for the rental of county property upon which the County and WMU formerly operated landfills. The lease states, in part, "it is necessary for WMU to continue occupancy of the farm to meet post closure requirements of state and federal law." Terms of the lease, in part, "shall be twenty (20) years from the date hereof, or a minimum of two years after the landfills have closure certification from the state;" and call for a rental payment of "One Dollar (\$1.00) per year." The lease defines liabilities with regard to the maintenance of access roads, use of the property, insurance on the property, and the allocation of post closure care costs provided by WMU. The County made payments to WMU in the amount of \$51,036 during the fiscal year ended June 30, 2002, for its share of post closure care costs.

COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE



CLARK COUNTY  
COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE

For The Fiscal Year Ended June 30, 2002

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 7,818,062	\$ 4,246,532	\$ (3,571,530)
Road and Bridge Fund	873,000	895,569	22,569
Jail Fund	803,928	883,624	79,696
Local Government Economic Assistance Fund	47,230	77,952	30,722
<u>Special Revenue Fund Type</u>			
Water District Fund	240,000	226,048	(13,952)
Special Reserve - Rockwell Property Fund	25,000	32,695	7,695
State Grants Fund	1,004,394	909,190	(95,204)
Federal Grants Fund	40,000	21,531	(18,469)
Totals	<u>\$ 10,851,614</u>	<u>\$ 7,293,141</u>	<u>\$ (3,558,473)</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 10,851,614
Add: Budgeted Prior Year Surplus			3,739,970
Less: Other Financing Uses			<u>(3,277,440)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 11,314,144</u>

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SCHEDULE OF OPERATING REVENUE





CLARK COUNTY  
SCHEDULE OF OPERATING REVENUE

For The Fiscal Year Ended June 30, 2002

Revenue Categories	GOVERNMENTAL FUND TYPE			
	Totals (Memorandum Only)	General Fund Type	Special Revenue Fund Type	Debt Service Fund Type
Taxes	\$ 2,723,228	\$ 2,723,228	\$	\$
Excess Fees	401,358	401,358		
Licenses and Permits	36,951	36,951		
Intergovernmental Revenues	3,443,783	2,522,252	921,531	
Charges for Services	309,652	83,604	226,048	
Miscellaneous Revenues	191,619	191,619		
Interest Earned	195,230	144,665	41,885	8,680
Total Operating Revenue	<u>\$ 7,301,821</u>	<u>\$ 6,103,677</u>	<u>\$ 1,189,464</u>	<u>\$ 8,680</u>

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COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES



CLARK COUNTY  
COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES

For The Fiscal Year Ended June 30, 2002

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 1,421,863	\$ 1,274,057	\$ 147,806
Protection to Persons and Property	3,248,053	2,744,733	503,320
General Health and Sanitation	334,570	278,726	55,844
Social Services	123,600	117,921	5,679
Recreation and Culture	474,197	270,098	204,099
Roads	871,770	850,896	20,874
Bus Service	14,000	13,060	940
Other Transportation Facilities and Services	7,500		7,500
Debt Service	68,000	37,373	30,627
Capital Projects	2,047,152	453,329	1,593,823
Administration	739,048	628,976	110,072
Total Operating Budget - General Fund Type	\$ 9,349,753	\$ 6,669,169	\$ 2,680,584
Other Financing Uses:			
Borrowed Money-			
Kentucky Advanced Revenue Program - Principal	2,805,000	2,805,000	
Transfers to Public Properties Corporation Fund	372,440	355,304	17,136
TOTAL BUDGET - GENERAL FUND TYPE	\$ 12,527,193	\$ 9,829,473	\$ 2,697,720

CLARK COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 For The Fiscal Year Ended June 30, 2002  
 (Continued)

Expenditure Categories	SPECIAL REVENUE FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 603,300	\$ 54,002	\$ 549,298
Protection to Persons and Property	54,000		54,000
General Health and Sanitation	40,872	22,403	18,469
Recreation and Culture	1,126,219	644,722	481,497
Debt Service	140,000	126,048	13,952
Total Operating Budget - Special Revenue Fund Type	\$ 1,964,391	\$ 847,175	\$ 1,117,216
Other Financing Uses:			
Capital Leases - Principal	100,000	100,000	
TOTAL BUDGET - SPECIAL REVENUE FUND TYPE	<u>\$ 2,064,391</u>	<u>\$ 947,175</u>	<u>\$ 1,117,216</u>

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS







**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

Honorable John Myers, Clark County Judge/Executive  
Members of the Clark County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Clark County, Kentucky, as of and for the year ended June 30, 2002, and have issued our report thereon dated November 4, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Clark County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Clark County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
November 4, 2003

CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

CLARK COUNTY FISCAL COURT

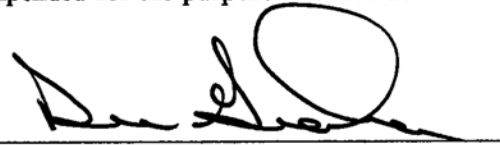
For The Fiscal Year Ended  
June 30, 2002



CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM  
CLARK COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2002

The Clark County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

A handwritten signature in black ink, appearing to read 'Drew Graham', written over a horizontal line.

Drew Graham  
County Judge/Executive

A handwritten signature in black ink, appearing to read 'Jean Logsdon', written over a horizontal line.

Jean Logsdon  
County Treasurer



